97-84254-30

Ford, Franklin

The mercantile agencies and credit reporting

[S.l.]

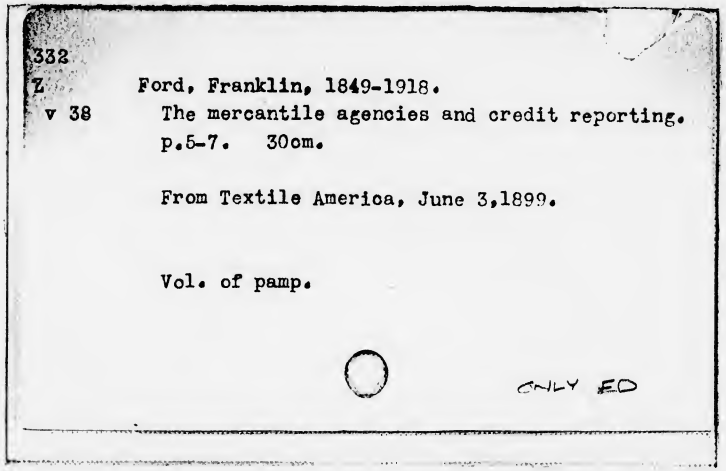
[1899?]

97-84254-30
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: (IA) IIA IB IIB

DATE FILMED: 11-20-97 INITIALS: PB

TRACKING # : 29955

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

LIBRARY OF
THE REFORM CLUB
52 William St., New York.

No. 11
332
I
38
#11
page 5

June 3, 1899. SOUND CURRENCY COMMITTEE. TEXTILE AMERICA.

THE MERCANTILE AGENCIES AND CREDIT REPORTING.

Announcement of a New Scheme—The Work of "Textile America"—The National Association of Credit Men and their Attempts to Bring the Agencies to Book—Necessity of Publicity for the Reporting Organ—Place of the Clearing-House Principle.

FRANKLIN FORD ON THE SITUATION.

The issuing of a prospectus for a new scheme in credit reporting by Erastus Wiman and associates brings up again the growing necessity of a clear advance in this all-important field. The plan, as outlined, aims at bringing together some of the lesser reporting concerns, the combination to be known as the Mutual Mercantile Agency. The president of the new concern is Mr. Franklin Edson. Its capital stock is fixed at $2,000,000, one-half of which is preferred, and subscriptions are asked to its shares.

In 1897 TEXTILE AMERICA opened up the whole problem of credit reporting in a series of articles which gave the defects of the Mercantile Agencies, and showed the way to the only possible reform. It was shown that while enormous revenues have accrued to the Agencies, little or nothing has been done to develop and further apply the principle of the business. The prospectus referred to confirms the statement made by TEXTILE AMERICA two years ago that one of the leading Agencies paid for ten years or more a dividend of 80 per cent. to its shareholders, and that the second well-known Agency, which is a partnership, has returned a yearly profit of some $500,000.

THE DEMAND FOR AN OPEN DOOR.

Attention was drawn to the Mercantile Agencies in 1896 by the National Association of Credit Men, and a demand made for better reporting. Courage was required for this, as the business had gone on for years without investigation. Seemingly protected behind the great wealth which the business had yielded, the agencies were proof against criticism unless it were to become general and systematic. In demanding a new departure, the credit men undertook a great service to American commerce. At the outset they were hindered by the lack of freedom in speaking of the Agencies, intrenched as they were behind big money reserves and tall office buildings, but the spell was broken by the outgivings of TEXTILE AMERICA in 1897, and thereafter the most retiring credit man was free to speak his mind. By reason of the searching publicity so gained, the way was opened to compelling from the Agencies the amplest statements of their own affairs, their methods of doing business, and the extent to which revenues have ben wrongfully diverted into private channels. When a given thing or institution has once been submitted to discussion, it can never be recalled, and, in consequence, progress has been rapid toward the same freedom of inquiry for all credit-reporting organs as that to which the post-office has long been subjected. The goal will be reached when nothing whatever is concealed from the credit men as to agency revenues and expenditures.

ATTITUDE OF CREDIT MEN.

The credit men have not rested in their attempt to bring the Agencies to book, but the results have been far from satisfactory. The sorry outcome is summed up in resolutions which are to be submitted to the association at the June meeting in Buffalo by the Committee on Mercantile Agency Service. It is set out therein that the Agencies have declined to respond in detail to suggestions or to comply with requests, and "have indicated a spirit of independency and self-satisfaction scarcely befitting institutions of public service." As seen by the committee, "there is no branch of business more important than the Mercantile Agencies, and no work which demands such accuracy and completeness or which is susceptible of such advancement." And, finally, the belief is asserted that if "inattention as to reasonable requests is continued, the time will then be ripe for the development of a new Agency, the policy of which shall be liberality in the payment of qualified reporters and other sources of information; accuracy in reports, and a constant endeavor to comply with the suggestions of practical credit men as to what is important and desirable in Agency reports and service."

So far, then, nothing has been done beyond fencing with the credit men in their righteous attempts to get at the truth as to Agency methods and to compel reforms. The explanation is simple, for just so soon as the right of inquiry on the part of the National Association of Credit Men is admitted, no limit can be set to it; the Mercantile Agency, as a credit-reporting organ, becomes a public institution, to be seen and dealt with as we now see and deal with the Post-office or the Bank Clearing House. The credit men have need to recognize this, as the end in view cannot be reached otherwise. The credit-reporting organs themselves be subjected to the freest inquiry, and when this is done the business will be at once a vast public good and a private benefit.

THE DIVERSION OF AGENCY REVENUES.

The fact is that the Mercantile Agencies, as now conducted, are not modern, in the sense that the Post-office and Bank Clearing House are modern. The revenues are so far diverted into private hands that progress and development is not possible; the money is not kept in the business. The point is made clear when it is recalled how, at times, when an old house fails, the remark is heard that it's no wonder, for they "robbed the business." It is only the extraordinary demand for credit news which permits such diversions of revenue along with the continuance of a business. The thrifty Mercantile Agencies are paralleled on the other side of the news field by such a paper as the *New York Herald*, whose enormous revenues are diverted in like manner in place of being kept in the business and expended for inquiry in the public interest. The revenues of the post-office are now kept in the business, yet at one time it was held to be the king's "private enterprise." The growing need of integrity in the transactions of commerce is prompting the discovery that the business of credit-reporting can no longer be held as a "private" affair in the sole interest of this or that group of individuals. There is ample evidence of this in the clearer views of the National Association of Credit Men. In fact, to be practical from this on all the centres of the News System must be seen as public functions.

ONE OPEN ORGAN SUFFICIENT.

Among numerous credit-reporting organs a struggle has begun for the survival of the fittest, with the outside waking up to the fact that only one is wanted. The surviving concern, whether it be one of the old Agencies or a new project yet to come in, must freely open itself to publicity. Anything less than this will not go. The credit men have made good progress in subjecting the agencies to publicity, but the end cannot be reached without coming full circle. There must obtain the same freedom of criticism concerning the credit-reporting centre as now exists in relation to the rates of postage and the money paid for carrying the mails, because the nature of the business is a public transaction, the same as that of the post-office. President Clark, of the Bradstreet Company, has referred to the agency as "a business of the merchants, by the merchants, for the merchants." Taken as a matter of fact, this means that the information possessed by all merchants concerning applicants for advances of credit is reported through the various centres and distributed by these centres where needed. The machinery for this collection and distribution belongs as much to the credit departments of the country as to the collecting centres, whether manned by one of the old Agencies or any other set of men. Neither the proposed Mutual Mercantile Agency nor other

concern can make great headway without recognizing this.

NATURE OF CREDIT REPORTING.

The first credit report was a question asked by one merchant of another as to how Smith, of Utica, was paying. Afterwards a dozen traders in the dry goods district of New York City employed a man to gather together the information possessed by all of the twelve and to distribute the combined resultant to each. Following upon this, as post-office facilities grew, the Mercantile Agency rose and the collection of reports was extended over the country. Numerous reporters of moderate capacity were employed at the chief centers. Organization has been everywhere extended, but in point of efficient character it is only nominal. The truth is that the old Mercantile Agencies as they stand serve as a bar to progress and reform in credit reporting for, under the present post-office facilities, it has become possible for all merchants to clear their credit information anonymously through properly organized centers without the intervention of reporters in the Agency sense. In short, the universal adoption of the clearing-house principle has become possible, and it is key to all advances in credit reporting.

THE CLEARING-HOUSE PRINCIPLE.

During the last fifteen years or thereabouts the work of determining credits in wholesale and jobbing houses has gradually come to be recognized as a division of labor calling for special talent and distinctive methods of organization, to such an extent indeed that all houses of any magnitude now maintain what is known as the Credit Department. In former times the head of the office force usually carried the responsibility as something incidental to his regular duties, important or difficult cases being referred to the financial partner or manager. But with credit departments everywhere coming into place, the need has arisen for clearing the information which they gather. There would be no difficulty in effecting this if either of the well known Agencies were able to get rid of old methods and adopt modern ways.

Unfortunately for the business of credit reporting the notion arose that it is the function of the Agencies to determine credits. Scarcely anything could be more untrue, as credits are determined by the merchant in the very act of making sales, and to aid him in this he is on the lookout for facts from all directions. The wide acceptance of the Agencies as makers of credits, through absurd "ratings" and the like, went to nurse their credit, in the banker's sense, at the expense of their credibility. In the struggle to compile a "rating" book the materials gathered by the Agencies were compressed to the point of distortion, while the supplementary reports have come to be held by merchants as scarcely more than the merest trade gossip. It has thus turned out that so far as relates to the Agencies the true principle of credit reporting passed into neglect, while the need of its further development was constantly increasing. In place of gathering and distributing the actual experiences of merchants with applicants for credit, a sort of "literary" procedure intervened. All manner of people were employed as Agency reporters to pick up gossip about the trading concerns which were under inquiry. In the vain attempt to generalize the results and cover deficiencies the only possible resort was to ambiguity. The merchants themselves must be the reporters through their own credit departments.

NEED FOR A SINGLE ORGANIZATION.

Prompted by the unexampled growth in communication the trading interests of the country are now seeking a common center, a single organ, through which all facts, regarded in the light of their bearing on credits, may have universal distribution. The rise of the National Association of Credit Men attests this. The present needs of commerce with respect to reporting credit news is as much beyond the present work of the Mercantile Agencies as the telephone is beyond the locomotive as means of transmitting intelligence. To the everyday observation it is supposed that the Agencies are doing the work required of them; that the goods they offer are the best obtainable. But to the inquirer who can get below the surface of things it is well known that credit reporting is only in the infancy of its development. The pioneers among Agency men did a great work in extending the movement everywhere, but at the last, in place of building up the direct exchange of experiences on the part of merchants parallel with the growth of communication, they have erected an unwieldy machine which, aided by an artificial prestige, stands as a positive hindrance to the better credit reporting made possible by new conditions.

AN ORGANIZER NEEDED.

The situation has been waiting on the man or men able to perceive, and act upon, the fact that the avenues of communication—the quickness and certainty of movement—are so far open as to do away with the Agency reporter, as such, and instead to permit direct reporting by merchants through common centers, which means, as already indicated, the adoption of the clearing-house principle. The need of the banker, which prompted the absolute interchange of facts at the Bank Clearing House concerning each particular check, is identical with the necessity of the merchant who must now erect a clearing house for exchanging the immediate facts concerning mercantile credits.

The old Agencies have reference to the clearing-house principle when they write and talk of "trade reports" which "give the experiences of jobbers and manufacturers with their customers," while Mr. Wiman and his friends look toward "a co-operative instrumentality for the interchange of information obtainable in the trade, after the manner of a great credit clearing-house." The need is to perceive that true credit reporting cannot exist at all save through "a co-operative interchange of information;" it is the nature of the business. One difficulty here lies in the verbal distinction between "co-operation" and "commerce." It has to be learned that the more co-operative a given branch of trade becomes the more commercial it is. Some years ago an enthusiastic woman raised in New York a big sum of money and started a so-called co-operative dry goods store. It failed because it was not so co-operative as Macy's.

CREDIT REPORTING AS A PHASE OF SOCIAL REGISTRATION.

Credit reporting when rightly understood is seen as a phase of social registration. The facts as to land ownership are registered with the Title Guarantee and Trust Company; births and deaths are registered at the Health Office, marriages at another center, while the bank transactions at ninety-five clearing houses throughout the country are registered each week at New York as main center in the banking system and are thence distributed to all sub-centers. The credit men, in turn, are wanting to register their facts at the trading centers to be there summed up and distributed for the common guidance, but the Mercantile Agency people continue blind to the real situation and refuse to treat on a basis of equality.

Two years ago, when inquiring into credit reporting methods, TEXTILE AMERICA dwelt upon the work of the Credit Clearing House as an attempt in the right direction, but the one rule has now to be applied to it and to all. The clearing-house principle has the future, but it cannot obtain through any institution which is held, on the side of property rights, as a narrow interest. The selfish interest must be there, the business must be "run to make money," but the merchants and credit men cannot concentrate upon any one organ without the amplest safeguard through full publicity. The concern which will meet the demands of the National Association of Credit Men by accomplishing the desired reform will earn a generous money reward, but the advance cannot be gained without first foregoing the thought of eighty per cent. dividends and yearly takings of half a million dollars. When understood and grasped as a legitimate business, such profits are seen to be more than the traffic will bear.

Given a single organization, with full integrity at its centers, and free movement, all credit news will be registered and distributed. In the absence of a unified system and freed conditions, no expenditure of money for "reports" can effect the desired reform.

FIVE ASPECTS OF REGISTRATION.

The registration of credit news presents five aspects, namely: (1) what the banks say of a dealer concerning his transactions with them; (2) what the dealer's merchandise creditors say of him; (3) what the dealer says of himself, which is called his "statement;" (4) his pedigree or trading history, and (5) the state of a dealer's particular branch of trade. The last named cannot but enter into the problem of a given applicant's claims at the credit de-

partment. All five, in one way or another, come under the clearing house principle.

The banks of Louisville and Baltimore have made progress in clearing the facts as to commercial paper. In Louisville an applicant for discount at any one of a dozen banks has to face the fact that his record at all of the banks is at once accessible. There is everywhere at this time a growing belief among bankers that an interchange of facts as to transactions in commercial paper at bank counters must be brought about. There is opposition of course, but so there was when the clearing house for setting off checks against each other was first proposed.

THE CLEARING OF MERCHANDISE CREDIT NEWS.

The progress already gained in clearing the facts as to merchandise credits gives promise that the principle will obtain on all sides at a nearly day. The tendency of the old Agencies to offer facilities for "trade reports" and the "interchange of information" is full of meaning. Just as soon as the clearing movement obtains generally, the credit-reporting business can no longer be held under a narrow proprietary. One might as well talk of turning the Bank Clearing House at New York into a "private" corporation. The clearing centers of the credit news system parallel the centers of the banking system. They both belong to the Credit System, which is the monetary or accounting division of commerce, embracing in its circle of action the remotest bookkeeper.

The statements of applicants for advances of credit will be registered or cleared through the centers of the one system. Mr. F. R. Boocock, secretary of the National Association of Credit Men, reports good progress in getting to a uniform property statement blank. He states that two years ago there were scarcely any two firms using the same form, while to-day about five hundred concerns are using the blanks prepared by the Association. The president of the Association, Mr. James G. Cannon, has appealed to various State banking organizations concerning the use of the blanks, and the response has been favorable.

THE NEWSPAPER AS A FACTOR.

The pedigree or trading history of a dealer has to be got from his neighbors and from those who have done business with him. No thorough-going reform can be brought about on this side of credit news without bringing the daily newspaper of a given region into the movement. The general newspaper is main centre, and as the organization proceeds will be brought to register and supply, in great part, the credit news of its region.

An application for credit may at times turn upon the state of trade. It may be that a silk manufacturer, whose affairs are otherwise in good shape, is bent upon a false move as measured by a pending change in fashions. The class or trade paper must come to be a more important aid in supplying this need, so that the banker or merchandise credit man may be in constant touch with the outlook in all divisions of commerce.

The necessity of a far-reaching change in the business of credit reporting is confirmed on the side of the bank, which is coming to be more and more the center of action for the Credit System. Bank deposits are rising on all sides owing largely to the immense Trust movement and the huge volume of industrial shares. The integrity of bank transactions is dependent on a clear advance in the business of credit reporting. FRANKLIN FORD.

DIVISION OF LABOR IN CREDIT REPORTING.

One difficulty which the credit department men meet in dealing with the Mercantile Agencies lies in the failure of the latter to let divisional labor into the work. Thus, President Clark of the Bradstreet Company has stated that to verify real estate records, as asked for by the credit men, is impossible because of the great expense that would be entailed. The way out at this point is to allow the Title Guarantee & Trust Company to clear the facts in a given case through the credit reporting organ.

Mr. Clarence H. Kelsey, President of the Title Guarantee & Trust Company, when asked by a representative of TEXTILE AMERICA as to the feasibility of this replied that he can see no reason why the facts in their possession should not be placed at the service of Bradstreet's or Dun's or other credit reporting Agency for a proper payment. As title guarantee complaints now exist in nearly all the large cities of the country, it follows that a widespread clearing of facts as to the ownership of real property is already possible, provided some credit reporting organ is willing to make way for it. The revenues thus acquired would help to extend the title guarantee movement.

It is fair to say that systematic credit reporting on the basis of fact began with the incoming of the Title Guarantee & Trust Company, at New York, about seventeen years ago. Prior to that time the question of ownership as to a given piece of land was anybody's opinion. Gradually the business of reporting the land fact gathered about the Title Guarantee Company, in spite of opposition from officials and from the lawyers interested in maintaining the old-time confusion. It was both natural and logical that the growth of accuracy in handling credit-making facts should take effect first with respect to land ownership. Title insurance is a phase of credit reporting. The methods introduced were so exact that the Title Guarantee & Trust Company stood ready to make good any reports which it might sell.

What is true of credit news as to real property holds good in other directions. The need is to let in division of labor so that all branches of the news business can buy and sell of each other. If the need is responsible accounting there is no reason why the Bradstreet Company or the Credit Clearing House should not call in the Audit Company of New York. When asked to speak concerning this phase of the credit news problem Mr. Ulysses D. Eddy, of Flint, Eddy & Co., said:

"Modern publicity, which has produced a complete transformation in commerce, is absolute in reference to stock and values of staple products. The immense advantages to commerce of this condition of affairs are obvious to everybody.

"There is another side of commerce in which the greatest pains seem to be taken to prevent publicity. The existing organizations for obtaining information as to the credit and standing of buyers do not work together. They are still in the state of active competition, but without co-operation, and the fittest that is to survive is not yet in sight. Doubtless the existing organizations could build upon what they have a unified structure of immense value to the commercial community, and it is to be hoped that this will be the ultimate solution."

TO REFORM CUSTOMS ADMINISTRATION.

The president of the Merchants' Association appointed as a committee to consider the defects of the administrative act and to propose amendments thereto, in accordance with the suggestion of President McKinley, the following: John Gibb, of Mills & Gibb; A. D. Juilliard, of A. D. Juilliard & Co.; Alfred Ray, of Lawrence & Co.; J. C. McCreery, of James McCreery & Co.; Orris K. Eldridge, of Wheelwright, Eldridge & Co.; Henry D. Cooper, of James F. White & Co.; Thomas H. Downing, of R. F. Downing & Co.; Dr. L. C. Warner, vice-president of the Warner Bros. Co.; H. A. Metz, president Victor Koechl & Co., and Frank Green, of E. C. Hazard & Co. The committee met for organization on Wednesday and adopted the following resolutions:

"Resolved, That the purpose of the proposed inquiry is strictly impersonal and that it concerns only the provisions of the law, the methods of administering them, the results and effects, and desirable improvements; and that it is not the intent of this committee to enter upon questions of the fitness or the acts of individual officials."

In order to provide for a proper beginning of the work of the committee the following preambles and resolutions were adopted:

"Whereas, It is the experience of this committee that most Government officials earnestly desire to improve the efficiency of the service and welcome intelligent suggestions to that end; and

"Whereas, The proposed inquiry will be greatly facilitated by official co-operation;

"Resolved, That a delegation, to be appointed by the chairman, personally call upon the Secretary of the Treasury to inform him of the organization of this committee and its purpose; to request him to issue such proper orders thereon as may assist in the conduct of the inquiry; to request that he delegate a law official of the Treasury Department to confer with a representative of this association touching the Treasury construction of the Administrative Customs act, the Treasury rules thereunder and the practical defects, if any, shown by the experience of the department; and to invite the Secretary of the Treasury to indicate to this committee any lines of action which seem to him desirable as tending to improve the public service.

"Resolved, That the result of such conference be reported to this committee with recommendations; that further action be suspended pending such report; and that a meeting of the full committee be called by the chairman to receive and consider the report and order such further action as they may deem expedient."

Pursuant to this resolution, a committee of three, consisting of Messrs. S. C. Mead, F. B. De Berard and William R. Corwine, was appointed to call upon the Secretary of the Treasury and lay the matter before him. The committee expects to leave for Washington early next week and to make its report, so as to enable the work of the main committee to be gotten under way at the earliest possible moment.

HARDT & LINDGENS,

58 and 60 Greene Street,
New York,

DRY GOODS

COMMISSION MERCHANTS.

WHITE GOODS, QUILTS, ETC....

Complete Stock Throughout the Year.

Manufacturers' Agents
for all popular fabrics in Foreign White Goods, both plain and fancy weaves; also, colored and Printed Novelties.

Converters
of corresponding lines of Domestic White Goods, and sole agents for "Imperial Long Cloths.

Special Organizations
in Wide Lawns, Cambrics, Nainsooks and Piques for manufacturers.

Importers
of Choicest patterns in Marseilles, Satin Finish and Dimity Quilts.

SOLE AGENTS FOR DOMESTIC DIMITY QUILTS AND CLOTH.

SHERMAN, REID & CO.,

Leonard and Church Sts., NEW YORK.

Improved REGISTERED System. STUTTGARTER NORMAL SANITARY UNDERWEAR. TRADE-MARK. Guaranteed Pure Wool

A. N. LOEB & CO.,

"Stuttgarter"

UNDERWEAR,

576 & 578 Broadway, New York.

PASSAVANT & CO.,

83 and 85 Greene Street.

SILK, GLOVE AND RIBBON MERCHANTS.

Schiff & Bodenheimer,

96-98 Franklin St., New York.

THE "ONLY" STANDARD Every Pair REGISTERED Warranted BLACK Louis Hemsdorf DYER

Importers of Hosiery.

Fred'k Vietor & Achelis,

Importers and

Commission Merchants,

66 to 76 Leonard St., New York.

END OF
TITLE